



Is There Enough Waste, Fraud, and Abuse to Satisfy the RSC Budget? *YES!*

During the last two years, Congress and the Administration have shed light on numerous examples of waste, fraud, and abuse to illustrate potential savings for taxpayers without affecting needed government services. The following examples of *recent* waste prove that the Republican Study Committee's Fiscal Year 2005 budget does not ask for too much when it calls for slowing the growth of mandatory spending by 1%. Each example below was submitted either by the House authorizing committees or the General Accounting Office. These examples can also be found in a House Budget Committee document titled, "Addressing Government Waste, Fraud, and Abuse" (Serial #CP-2).

AGRICULTURE COMMITTEE

- The Committee estimates that **\$10 billion** could be saved over the next 10 years if the use of advanced statistics was mandated for fraud investigations, compliance measures for commodity programs were tightened, commodity payments were consolidated, and USDA was reorganized to eliminate duplication.
- The Rural Utilities Service (RUS) electricity loan program has cancelled **\$4.9 billion** debt since 1992. Reducing the costs, improving the efficiency, and fixing the financial problems of this program would result in significant savings.
- The Committee estimates that USDA could collect **\$140 million** in interest owed in rural housing loans.

EDUCATION AND WORKFORCE COMMITTEE

- As much as **\$340 million** could be saved annually by eliminating abuse and fraud in awarding Pell Grants by matching the applications with IRS data. This would significantly reduce the current Pell Grant funding shortfall and strengthen the program for needy students striving for a college education.

ENERGY AND COMMERCE COMMITTEE

- Many states are currently using a loophole to make excessive payments to local government-owned hospitals and nursing homes to drive up federal matching payments. The local providers then return all or a portion of the money back to the state via an intragovernmental transfer after which point it is used for non-Medicaid and non-health related activities. Closing this loophole would save \$425 million FY05 and **\$2.2 billion** over five years.
- Medicaid continues to reimburse many states twice for the cost of administering services. These states receive extra funding in their TANF (welfare) block grant to administer Medicaid and a stand-alone Medicaid payment for the same function. Eliminating this double payment would save **\$3.7 billion** over ten years.
- The State Children's Health Insurance Program (SCHIP) is currently insuring childless adults in two states costing at least **\$330 million**. The program was enacted to provide health insurance to uninsured children.

FINANCIAL SERVICES COMMITTEE

- The HUD Inspector General has identified **\$26.5 million** in funds that could be put to better use in the Single Family Housing Programs, Public and Indian Housing Programs, Multi Family Housing Programs, and

Community Development Programs. In addition, more than **\$36 million** was found to be questionably spent in these same programs.

- The Financial Services Committee found that due to lack of sound financial management HUD estimates that **\$1.7 billion** was not used for its intended purposes. Additionally, HUD last year held **\$108 billion** in unspent funds. That is more than three times its FY04 appropriations request.

GOVERNMENT REFORM COMMITTEE

- The Committee estimates that the Office of Personnel and Management IG recovers \$12 in fraudulent spending for every dollar spent by its office. They note that with the appropriate resources an additional **\$116 million** in taxpayer savings could be realized annually.
- The General Services Administration (GSA) spends \$4 billion annually to pay for the upkeep of unused federal real property. The Committee recommended legislation (H.R. 2548) to give agencies the authority to sell unwanted property, sublease, or partner with the private sector to redevelop the property and predicted that the legislation would save “a significant percentage of the **\$4 billion** in annual upkeep.”

INTERNATIONAL RELATIONS COMMITTEE

- Although U.S. funding is barred from going to international organizations, such as the United Nations Development Program, that undertake projects in rogue nations, the State Department continues to fund the U.S. share of such organization’s administrative expenditures. CBO has not scored a proposal to eliminate such payments, but the United Nations Development Program alone receives **\$600,000** in administrative expenses each year.

JUDICIARY COMMITTEE

- The Justice Department often fails to train its employees in a cost-effective way. For example, non-governmental facilities in locations such as the Florida Keys and Santa Monica have been used for training venues instead of less-expensive sites. The Committee estimates that **\$2 million** could be saved in this area.
- The Committee determined that \$222 million Community Oriented Policing Services (COPS) Grants were questionably used and an audit of 50% of the program would generate **\$90 million** in savings.
- In failing to collect a congressionally mandated fee on foreign exchange students, the U.S. Government is currently losing as much as **\$50 million** in revenue each year.
- Improvements to the alien verification system used by the State Criminal Alien Assistance Program (SCAAP) could save at least **\$40 million** a year and improve local law enforcement's incentive to positively identify illegal aliens.

TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

- Currently, **\$238 million** is credited to inactive federal highway programs that could be redirected to other projects in need of funding.
- The Railroad Retirement Board Inspector General currently lacks the authority to investigate fraud in conjunction with the \$787 million in Medicare funds distributed to railroad retirees. The Committee estimates that returning this authority to the IG (it was transferred in 1997) would save over **\$49 million** in fraudulent payments.

- The Committee recommends a number of reforms to the Essential Air Service (EAS), a program that provides subsidies to carriers serving small communities. Among the reforms is a requirement that local communities that are close to a hub airport pay a share of the cost for the subsidized service. Such reforms are needed. According to the President's FY04 budget, the average annual passenger subsidy in Utica, New York, was recently \$495. With that amount, each passenger could rent a car for a week at \$190 and drive to a larger airport in Syracuse served by eight carriers. Although the Committee could not estimate the how much its reforms would save, CBO estimates that eliminating the program altogether – for many of the same reasons -- would save **\$547 million** over five years.

VETERANS AFFAIRS COMMITTEE

- The Department of Veterans Affairs (VA) could save **\$247 million** in future disability payments by returning claimants who are no longer disabled to the pay rolls.
- The Veterans Health Administration (VHA) lacks the appropriate management controls to ensure that part-time physicians are actually working. Many VA medical centers do not keep duty schedules and supervisors often have no way of knowing which physicians are supposed to be on duty. Given that the VA employs 5,129 part-time physicians at a combined salary of **\$400 million**, reforms in this area should reap large savings.
- Processing errors and program fraud account for **\$125 million** annually in VA pension overpayments. Such overpayments comprise about 4% of the \$2.9 billion in total pension benefits the VA paid out in FY01.
- The VA is owed **\$3 billion** in outstanding loans and needs to be more aggressive in collecting it, according to its own IG.

WAYS AND MEANS COMMITTEE

- The government could save **\$70 million** over 10 years by allowing all states access to the National Directory of New Hires for purposes of more effectively and accurately providing unemployment benefits.
- The government could save **\$1.4 billion** over 10 years by increasing the share of SSI eligibility determinations subject to reevaluation.
- The SSA IG testified that overpayments in the SSI program totaled **\$2 billion** in 2002 alone.
- The Department of Labor made an estimated **\$3.4 billion** in unemployment benefit overpayments in FY02.
- For every additional dollar in Continuing Disability Reviews provided to the Social Security Administration to detect fraud in Social Security Disability Insurance, \$9 could be saved for the Social Security Trust Fund, according to that agency.

The Washington Waste Watchers:

A Congressional Working Group to Combat Waste, Fraud, and Abuse

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